

BUDGET 2013



The Chancellor George Osborne pressed ahead with an austerity-first programme in his 2013 Budget delivered 20 March 2013. He conceded that growth will be lower than earlier predictions and government debts higher this year than he expected, He maintained however that the government must finish what it started in order to maintain the credibility of the international money markets and keep interest rates low. Interestingly perhaps he referred to a Budget for Aspiration. But for who?

Growth next year is forecast to be 1.8% rising to 2.8% by 2017 but some scepticism must remain after forecasts have been reviewed downwards for some time.

For some the Chancellor is seen as a magician able to pull another rabbit out of the hat whilst for others the question is whether he still has the hat at all.

Lets consider the key issues announced today:

He remains convinced that measures will not put the UK into a “triple dip recession”.

Taxation

Reductions in the main rate of Corporation Tax 1% lower from April will be competitive with rates around the globe and will be funded in part by adjustments in Bank Levy Rate.

Capital Gains Tax reliefs are to be extended and assistance with further reliefs will be available to shareholders involved in Management Buy Out arrangements.

Personal tax allowances will rise by £560 to £10,000 in April 2014 in line with targets.

The Chancellor then announced a package of measures relating to tax anti avoidance including targeted overseas disclosure agreements. This follows hard on the heels of Swiss & Liechtenstein Agreements & is expected to raise £3 billion.

A welcome bit of news for business is the introduction of a new Employment Allowance equivalent to £2000 per year of Employers National Insurance where new employees are engaged & there is assistance for returning employees following sickness. For employees who require season tickets for commuting a tax free loan up to £10,000 will be possible from employers.

Social & Welfare

The Help-to-Buy scheme for those house buyers that are struggling to get a mortgage will be expanded for shared equity properties. This will be augmented by an introduction of interest free loans up to 20% of a new build property valuation up to £600,000.

There will be Tax-free childcare vouchers worth £1,200 per child and further support for families who are eligible for universal credit.

The overall cap-on social care costs due to come in in 2017 will protect savings over £72000. Means tested threshold for assistance will rise substantially from £23,000 to £118,000.

The Flat rate pension worth £144 a week is to be brought forward to 2016.

Duties

September's planned fuel duty increase has been scrapped, as has the beer price escalator. Beer will now benefit from a 1p cut in duty. All other duties previously announced in 2012 will remain so wines, spirits and tobacco prices will continue to rise in the short term.

Other Measures

Education and spending on Health will be ring fenced but other Government budgets will be cut by 1% .

Public sector staff - pay increases will be capped at 1 per cent and extended into 2015/16.

Serving military in our armed forces are exempted from changes to progression pay.

New limits on “annually managed expenditure” will be introduced including welfare debt interest & payments to the EU.

The Government will fund an escalating programme of infrastructure spending starting at £3 billion in 2015/16.

As with any Budget, the devil will be in the detail and we would strongly advise anyone to contact their professional advisor if they feel that any of the Budget reforms are likely to affect them especially with regard to tax planning.



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